AUDIT REPORT

Central Ohio Community Improvement Corporation

Franklin County

Report on Audited Financial Statements

For the Years Ended December 31, 2016 and 2015

PARMS + COMPANY

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

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PARMS + COMPANY

ACCOUNTANTS + CONSULTANTS

585 South Front Street
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Columbus, Ohio 43215

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central Ohio Community Improvement Corporation

We have audited the accompanying financial statements of Central Ohio Community Improvement Corporation, Franklin County (COCIC), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise COCIC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COCIC as of December 31, 2016 and 2015, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated June 2, 2017, on our consideration of COCIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COCIC's internal control over financial reporting and compliance.

Parms & Company, LLC

June 2, 2017
Columbus, Ohio

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

This discussion and analysis, along with the accompanying financial report, of the Central Ohio Community Improvement Corporation ("COCIC") are designed to provide its Board Members, creditors and other interested parties with a general overview of COCIC and its financial activities.

The mission of COCIC is to stabilize or increase property values in areas of Franklin County suffering from the effects of blighted, vacant, abandoned, tax-foreclosed or economically-stranded properties and to promote and facilitate rehabilitation, reutilization and return of such properties to productive, tax-generating status.

FINANCIAL HIGHLIGHTS – 2016

COCIC's main programs are the Blight Removal Program, Responsible Landlord Program and the Trusted Partners Program.

The Blight Removal Program (BRP) generally involves the demolition, environmental remediation, or both, of blighted properties, and the sale of the formerly blighted property to a responsible party for reutilization. Typically, sale proceeds are nominal and represent only a limited recovery of demolition, remediation and transaction expenditures. Properties for which there is an expectation of significant sale proceeds or recoveries are included with Property Inventory.

During 2016, the BRP demolished 334 blighted units at a cost of approximately $4 million. Such costs were funded with approximately $3.7 million from an Ohio Housing Finance Agency's Neighborhood Initiative Program (OHFA NIP) demolition grant and with approximately $316,000 from the Franklin County Delinquent Tax Assessment & Collection (DTAC) funding. Property maintenance and other costs associated with demolitions amounted to approximately $171,000.

Also, in October 2016, to assure an inventory of blighted structures for demolition with the OHFA NIP demolition grant, COCIC purchased tax lien certificates on 274 deeply blighted properties at a nominal cost, with the view to prosecuting tax lien foreclosures through forfeiture or sale and demolishing the forfeited properties. While the OHFA NIP demolition grant reimburses foreclosure costs, funding is required to carry the costs until reimbursement, typically a lag of nine months. To address the timing issue, COCIC identified $1,500,000 of foreclosure cost funding. Franklin County contributed $500,000 in each of 2016 and 2017. COCIC encumbered $125,000 in each of 2016 and 2017. The City of Columbus has adopted legislation authorizing a $250,000 contribution, expected in 2017. At year-end 2016, $258,000 of foreclosure costs were incurred in connection with tax lien certificates on 96 properties.

FINANCIAL HIGHLIGHTS – 2016 (continued)

The Responsible Landlord Program (RLL) is a land reutilization program employing a strategic intervention for the purpose of stabilizing or improving market support, executed through a loan program to responsible landlords engaged in market-based rehabilitation of blighted, distressed or substandard properties, with a view to rental at market rates. At the end of 2016, COCIC had a note receivable of approximately $153,000 accruing interest at 1.5% per annum, compounded monthly. During 2016, COCIC received repayment of a previous RLL note of $1,000,000 together with accrued interest of $16,700.

The Trusted Partners Program (TPP) is also a land reutilization program, involving a strategic intervention for the purpose of stabilizing or improving market support, executed through a grant program to trusted partners engaged in the total rehabilitation of blighted properties or new construction in blighted neighborhoods, with a view to sale to owner-occupants. In 2016, COCIC expensed approximately $441,000 of grants to trusted partners in connection with 61 properties.

FINANCIAL HIGHLIGHTS – 2015

The total assets of COCIC increased 16% in 2015 to $10,160,044 from $8,733,613 in 2014. The major cause for the increase in total assets was an increase in Grant Receivables of approximately $2.1 million for reimbursement from the OHFA NIP grant. Operating income decreased 46% in 2015 by $1.3 million primarily due to a decrease in DTAC funds received. Similarly, Cash flows generated by operating activities decreased in 2015 by $2 million mostly due to the lower DTAC funds.

NET POSITION COMPARISON

Table 1 summarizes the Comparison of the net position of COCIC.

	2016	2015	2014
Assets			
Current Assets	$ 7,019,634	$ 6,468,238	$ 5,068,568
Noncurrent Assets	4,786,336	3,691,806	3,665,045
Total Assets	11,805,970	10,160,044	8,733,613
Liabilities			
Current Liabilities	1,050,888	499,084	475,887
Long-Term Liabilities	4,048,055	4,329,918	4,595,085
Total Liabilities	5,098,943	4,829,002	5,070,972
Deferred Inflows of Resources	75,000	75,000	75,000
Total Net Position	$ 6,632,027	$ 5,256,042	$ 3,587,641

NET POSITION COMPARISON (continued)

In 2016, Noncurrent Assets increased over 2015 due to the purchase and renovation of the property and building at 845 Parsons Avenue into The Land Bank Center, which houses and co-locates the operations of COCIC and the City of Columbus Land Redevelopment Office. Purchase of the property and building was $320,000; renovation of the building was $705,000 and provision of furniture, fixtures and equipment was $73,000. Current Liabilities increased due to $315,000 of prepaid maintenance fees to be used on properties demolished through the OHFA NIP grant, to be prorated over the next 3 years. Current Liabilities also increased due to an increase in Accounts Payable of approximately $185,000 relating to OHFA NIP demolition expenses and reimbursements for properties sold.

Current Assets in 2015 increased approximately $1.3 million over 2014, due to a $2.1 million increase in Grant Receivables from the OHFA NIP program. Long term liabilities continued to decrease due to accelerated payments toward the outstanding bond.

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

Table 2 summarizes the Statements of Revenues, Expenses and Change in Net Position.

	2016	2015	2014
Operating Revenues			
Total Operating Revenues	$ 6,946,946	$ 6,853,201	$ 10,961,550
Operating Expenses			
Total Operating Expenses	5,624,681	5,272,563	8,045,533
Operating Income	1,322,265	1,580,638	2,916,017
Non-Operating Revenues			
Total Non-Operating Revenue	53,720	87,763	12,884
Non-Operating Expenses			
Total Non-Operating Expenses	-	-	7,814
Change in Net Position	1,375,985	1,668,401	2,921,087
Net Assets Beginning of Year	5,256,042	3,587,641	666,554
Net Assets End of Year	$ 6,632,027	$ 5,256,042	$ 3,587,641

In 2016, activity was generally consistent with 2015, with small changes in multiple accounts causing an overall decrease in Operating Income of $258,373 or 16%. The decrease was generally caused by Operating Expenses increasing over the previous year more than the increase in Operating Revenues for the same period. Specifically, Operating Revenues increased $94,000 or 1% in 2016 from 2015. Operating Expenses increased more at $352,000 or 7% over the previous year. This is to be expected, as COCIC generally incurs demolition costs and looks to trailing reimbursements for the recovery of costs.

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION (cont.)

A few of the larger fluctuations in the individual revenue accounts were a decrease in DTAC revenues of $194,000 or 6%, an increase in Grant Revenues of $714,000 or 25% and a decrease in Demolition Recovery & Property Sales of $427,000 or 72%; all three of which comprise 99% of Total Operating Revenue. The fluctuation in the individual expense accounts was largely in Demolition Expense, which increased $410,000 or 10% and which comprises 76% of Total Operating Expenses.

The 2015 Operating Income decreased approximately $1.3 million in comparison with 2014 due to a drop of approximately $1.5 million in DTAC funds caused from lower delinquent taxes and zero catch-up DTAC receipts. Also in 2015, the Trusted Partners program saw an increase in disbursements of almost $450,000 over 2014.

The 2015 Non-Operating Revenues increased $74,000 over 2014 mostly from a gain on investment of $26,610 compared with the $45,091 loss from 2014. COCIC also had accrued interest from the Responsible Landlord program of $10,425.

STATEMENTS OF CASH FLOWS

Table 3 summarizes the Cash Flows of COCIC.

	2016	2015	2014
Change in Cash and cash equivalents			
Net Cash Provided by (Used for) Operating Activities	$ 3,991,916	$ (869,974)	$ 1,119,304
Net Cash Provided by Non-Capital Financing Activities	69,784	50,728	5,602
Net Cash (Used for) Capital and Related Financing Activities	(1,082,356)	(379,791)	(494,322)
Net Change in Cash and Cash Equivalents	$ 2,979,344	$ (1,199,037)	$ 630,584

In 2016, the Net Cash Provided by Operating Activities increased approximately $4.8 million over 2015 due to receipts from the OHFA NIP grant of $4.9 million. Net Cash Used for Capital and Related Financing Activities increased in 2016 in comparison to 2015 by $703,000 mostly due to the purchase, renovation and fit-up of the new Land Bank Center.

In 2015, Net Cash Used for Operating Activities decreased from 2014 similar to Operating Income, due to the $1.5 million decrease in DTAC funds.

CAPITAL ASSETS

Table 4 summarizes the Capital Assets of COCIC.

	2016	2015	2014
Capital Assets:			
Office - Land	$ 39,200	$ -	$ -
Office - Building & Fixtures	1,059,326	-	-
Landfill Land	1,031,249	1,031,249	1,031,249
Golf Course Project Construction Cost	2,350,142	2,350,142	2,350,142
Total Capital Assets	$ 4,479,917	$ 3,381,391	$ 3,381,391

Capital Assets increased in 2016 due to the purchase, renovation and fit-up of the Land Bank Center, as discussed above in the Net Position Comparison

DEBT

Table 5 summarizes the debt of COCIC.

	2016	2015	2014
Landfill Closure and Post Closure Care	$ 2,033,336	$ 2,122,187	$ 2,174,064
Value Recovery Group II - Loan	-	-	59,438
Franklin County	2,200,000	2,321,429	2,425,892
Economic Development Term Loan	-	78,571	186,607
Total Debt	$ 4,233,336	$ 4,522,187	$ 4,846,001

COCIC decreased debt in 2016, 2015 and 2014 with loan payoffs and repayments, and reductions for landfill closure and post closure care expenditures incurred.

BUDGET

Pursuant to the Board financial policies, COCIC prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a forecast of revenues and expenditures. COCIC will from time to time adopt budget revisions as necessary.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to President, Central Ohio Community Improvement Corporation, 845 Parsons Avenue, Columbus, Ohio, 43206.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENTS OF NET POSITION
AT DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 4,923,681	$ 1,944,490
Accounts Receivable	138,828	245,704
Grants Receivable	477,285	2,165,897
Program Service Receivable	152,962	905,051
Property Inventory	1,274,031	1,057,481
Prepaids and Other Assets	52,847	149,615
Total Current Assets	7,019,634	6,468,238
Noncurrent Assets:		
Cash and Cash Equivalents - Debt Service Reserve	152,034	151,881
Investment in Joint Venture	154,385	158,534
Capital Assets:		
Fixed Assets	1,098,526	-
Landfill Land	1,031,249	1,031,249
Golf Course Project Cost	2,350,142	2,350,142
Total Capital Assets	4,479,917	3,381,391
Total Noncurrent Assets	4,786,336	3,691,806
TOTAL ASSETS	**11,805,970**	**10,160,044**
LIABILITIES		
Current Liabilities:		
Accounts Payable	471,033	285,908
Accrued Liabilities	394,574	20,907
Landfill Closure and Post Closure Care Liability- Current Portion	92,424	92,269
Notes Payable- Current Portion	92,857	100,000
Total Current Liabilities	1,050,888	499,084
Long-Term Liabilities		
Landfill Closure and Post Closure Care Liability	1,940,912	2,029,918
Notes Payable- Non Current Portion	2,107,143	2,300,000
Total Long-Term Liabilities	4,048,055	4,329,918
TOTAL LIABILITIES	**5,098,943**	**4,829,002**
DEFERRED INFLOWS OF RESOURCES		
Rental Payments received in Advance	75,000	75,000
TOTAL DEFERRED INFLOWS OF RESOURCES	**75,000**	**75,000**
NET POSITION		
Net Investment in Capital Assets	2,279,917	981,391
Restricted - Expendable	152,034	151,881
Unrestricted	4,200,076	4,122,770
TOTAL NET POSITION	**$ 6,632,027**	**$ 5,256,042**

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating Revenues		
Delinquent Tax Assessment & Collection Income	$ 3,174,186	$ 3,367,812
Grant Revenues	3,598,841	2,884,434
Demolition Recovery, Reimbursement & Property Sales	167,962	595,172
Service Income	5,957	5,783
Total Operating Revenues	6,946,946	6,853,201
Operating Expenses		
Demolition and Remediation	4,274,296	3,864,514
Program Services	440,855	637,447
Payroll Expense	658,753	548,861
Insurance Expense	94,860	49,950
Legal and Professional Expense	49,218	74,349
Maintenance and Repair Expense	-	100
Meeting Expense	2,804	2,694
Utilities Expense	22,711	17,622
Office Expense	60,595	50,527
Staff Training and Travel	4,151	5,389
Postage and Freight Expense	939	564
Other Expense	15,499	20,546
Total Operating Expenses	5,624,681	5,272,563
Operating Income	**1,322,265**	**1,580,638**
Non-Operating Revenue		
(Loss)/Gain on Investment	(4,149)	26,610
Subsidies	50,000	50,000
Interest	7,869	11,153
Total Non-Operating Revenue	53,720	87,763
Change in Net Position	**1,375,985**	**1,668,401**
Net Position, Beginning of Year	**5,256,042**	**3,587,641**
Net Position, End of Year	**$ 6,632,027**	**$ 5,256,042**

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Delinquent Tax Assessment & Collection Income	$ 3,174,186	$ 3,367,812
Grant Receipts	5,268,446	1,046,119
Demolition Recovery, Reimbursement & Property Sales	357,543	431,371
Program Service Reimbursement	892,253	-
Service Income	5,957	5,783
Demolition and Remediation Expense	(4,002,161)	(3,920,721)
Payment for Property Inventory Acquisitions	-	(23,450)
Program Services	(660,578)	(948,301)
Payroll Expense	(655,190)	(529,954)
Insurance Expense	(105,971)	(78,408)
Legal and Professional Expense	(77,338)	(74,189)
Maintenance and Repairs Expense	-	(100)
Meeting Expense	(3,229)	(2,590)
Utilities	(21,878)	(16,451)
Office Expenses	(62,585)	(47,625)
Staff Training and Travel	(4,151)	(5,389)
Postage and Freight Expense	(896)	(539)
Landfill Closure Expense	(96,589)	(53,198)
Other Operating Payments	(15,903)	(20,144)
Net Cash Provided by (Used In) Operating Activities	3,991,916	(869,974)
Cash Flows from Non-Capital Financing Activities		
Proceeds from Subsidies	50,000	50,000
Interest	19,784	728
Net Cash Provided by Non-Capital Financing Activities	69,784	50,728
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Debt	(200,000)	(271,937)
Purchase of New Land Bank Office	(220,000)	(100,000)
Work in Process Construction of New Land Bank Office	(662,356)	(7,854)
Net Cash Used In Capital and Related Financing Activities	(1,082,356)	(379,791)
Net Change in Cash and Cash Equivalents	**2,979,344**	**(1,199,037)**
Cash and Cash Equivalents Beginning of Year	**2,096,371**	**3,295,408**
Cash and Cash Equivalents End of Year	**$ 5,075,715**	**$ 2,096,371**
Cash and Cash Equivalents - Current	**$ 4,923,681**	**$ 1,944,490**
Cash and Cash Equivalents - Noncurrent	**152,034**	**151,881**
Total Cash and Cash Equivalents	**$ 5,075,715**	**$ 2,096,371**

See accompanying notes to the basic financial statements.

CENTRAL OHIO COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(continued)

Reconciliation of Operating Income/(Loss) to Net Cash Provided by (Used In) Operating Activities	**2016**	**2015**
Operating Income	$ 1,322,265	$ 1,580,638
(Increase) Decrease in Assets:		
Accounts Receivable	154,552	(195,704)
Grants Receivable	1,688,612	(1,858,488)
Program Services Receivable	740,174	(380,854)
Property Inventory	(216,550)	(17,050)
Prepaid Items	(11,086)	(28,482)
Increase (Decrease) in Liabilities:		
Accounts Payable	29,132	218,532
Accrued Liabilities	373,667	(136,687)
Landfill Closure and Post Closure Care Liability	(88,850)	(51,879)
Net Cash Provided by (Used In) Operating Activities	**$ 3,991,916**	**$ (869,974)**

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The Central Ohio Community Improvement Corporation (COCIC) was formed as a nonprofit corporation on May 9, 2005 pursuant to Ohio Revised Code Chapter 1724 to assist in economic development of nonproductive and distressed properties in Franklin County. It was reconstituted on March 25, 2012 as the land reutilization corporation for Franklin County under Ohio Revised Code Chapters 1724 and 5722. A nine member Board of Directors has been established for oversight of the operations. The Franklin County Commissioners and the Franklin County Treasurer are Ex-Officio members of the Board, as well as three other members appointed by the Commissioners and Treasurer. The Ohio Revised Code requires that the Board consists of a representative of the County's largest city and a representative of townships having more than 10,000 population in their unincorporated area. The COCIC's management believes the financial statements present all activities for which the COCIC is financially accountable.

Reporting Entity
The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of COCIC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from COCIC. For COCIC, there are no other boards and agencies other than COCIC. Component units are legally separate organizations for which COCIC is financially accountable. COCIC is financially accountable for an organization if COCIC appoints a voting majority of the organization's governing board and (1) COCIC is able to significantly influence the programs or services performed or provided by the organization; or (2)(a) COCIC is legally entitled to or can otherwise access the organization's resources; (b) COCIC is legally obligated to or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (c) COCIC is obligated for the debt of the organization. Component units may also include organizations for which COCIC approves the budget, the issuance of debt or levying of taxes. The Poindexter Community Renaissance LLC is a blended component unit of COCIC. It is dormant.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting
COCIC's operations are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net position. The operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net position.

Basis of Presentation
Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements and measurement focus relates to the timing of the measurements made.

COCIC's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The financial statements of COCIC have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). COCIC uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Enterprise accounting is used to account for any activity for which a fee is charged to external users for goods or services.

Net Position is comprised of unrestricted and restricted components. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position.

Net position is the difference between the COCIC's assets, its liabilities and deferred inflows of resources. GASB establishes standards for external financial reporting which require that resources be classified for accounting and reporting purposes into the following net position categories:

<u>Net investment in capital assets</u>: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

<u>Restricted – Expendable</u>: Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. COCIC first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position are available. As of December 31, 2016 and 2015, $152,034 and $151,881, respectively, were restricted related to bond reserve funds held as security for outstanding bond debt.

<u>Unrestricted</u>: Net position whose use by COCIC is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

<u>Accounting Pronouncements</u>

COCIC has adopted all applicable GASB standards that were effective during its fiscal years 2016 and 2015. COCIC determined those standard adoptions had no material impact on its financial statements as of December 31, 2016 and 2015. The following are pronouncements that will become effective in future fiscal years and could impact COCIC's financial reports:

GASB 73 – "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". Effective for fiscal years beginning after June 15, 2016.

GASB 74 – "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Effective for fiscal years beginning after June 15, 2016.

GASB 75 – "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Effective for fiscal years beginning after June 15, 2017.

GASB 80 – "Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14." Effective for reporting periods beginning after June 15, 2016.

GASB 81 – "Irrevocable Split-Interest Agreements." Effective for periods beginning after December 15, 2016.

GASB 82 – "Pension Issues – an Amendment of GASB Statement No. 67, No. 68, and No. 73." Effective for reporting periods beginning after June 15, 2016, with certain exceptions where measurement date is on or after June 15, 2017.

GASB 83 – "Certain Asset Retirement Obligations." Effective for reporting periods beginning after June 15, 2018.

GASB 85 – "Omnibus 2017." Effective for periods beginning after June 15, 2017.

COCIC has not fully determined the effects those statements will have on its financial statements reporting in subsequent fiscal years.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Grant and Account Receivables
Expenses incurred during the year that will be reimbursed in future years are recognized as revenue and receivables in the year the expense is incurred.

Prepaid Expenses
Payments made to vendors for services that will benefit periods beyond the current fiscal year, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Property Inventory

COCIC's land reutilization activities often require that it hold title to real property, typically until reutilization activities can be completed and the property sold and sometimes to satisfy a holding period prescribed by the terms of grant funding. Properties that are held as of the end of the fiscal year, with a view to sale in the near or intermediate term and with an expectation of significant sale proceeds, are carried in Property Inventory. Other properties are of nominal value and, in the aggregate, not material to the financial statements.

Capital Assets

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. COCIC has a capitalization threshold of $5,000 and will begin depreciating capital assets in 2017.

Capital Contributions

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Accrued Liabilities and Notes Long-Term Obligations

All payables and other accrued liabilities are reported on the statement of net position.

Deferred Outflows and Deferred Inflows

In addition to assets, the statement of net position may report a separate category of deferred outflows of resources. Deferred outflows represent consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. At December 31, 2016 and 2015, COCIC reported no deferred outflows of resources. In addition to liabilities, the statement of net position may report a separate category of deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenues) until then. At December 31, 2016 and 2015, COCIC reported deferred inflows of resources in the amount of $75,000, related to fiscal year 2017 rental payments received in advance.

Capitalization of Land Development Costs

Land and development costs are generally capitalized at the time development begins based on actual costs incurred.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentations to conform to the 2016 financial statement presentations.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the COCIC. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the COCIC. All revenues and expenses not meeting this definition are reported as non-operating.

Income Taxes

COCIC was formed as a nonprofit organization and was then determined by the IRS as exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. In 2012 when COCIC was reconstituted as the Franklin County land reutilization corporation, it was organized to be exempt under Section 115(1) of the Internal Revenue Code. As the IRS has made no determination of exemption under Section 115(1), COCIC is, as a precautionary measure, pursuing a reinstatement of the determination of exemption under 501(c)(4) which lapsed after the 2012 reconstitution.

Uncertain Tax Positions

COCIC adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2009. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in COCIC's income tax returns. COCIC's income tax filings are subject to audit by various taxing authorities. In evaluating COCIC's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategists are considered. COCIC has analyzed the tax positions taken and believes there are no uncertain positions taken or expected to be taken that would require recognition of a liability or an asset. COCIC believes it is no longer subject to income tax examinations for years prior to 2010.

NOTE 3 - CASH

The COCIC maintains its cash balance in banking accounts. At December 31, 2016 and 2015, the COCIC's carrying values of cash were $5,075,715 and $2,096,371, respectively, including $152,034 and $151,881, respectively, in cash held as security for repayment of outstanding bonds payable. At December 31, 2016 and 2015, the COCIC's bank balances, held by two different financial institutions, were $5,398,948 and $2,290,330, respectively. Carrying values of cash and bank balances reconcile when adjusted for outstanding items. Of the bank balances, as of December 31, 2016 and 2015, $1,521,340 and $884,153, respectively, were covered by FDIC insurance, and $3,877,608 and $1,406,177, respectively, were covered by government securities collateralizing public deposits.

Custodial Credit Risk is the risk that in the event of bank failure, the COCIC's deposits may not be returned. The COCIC has no policy regarding custodial credit risk. COCIC's practice is to maintain all deposits within FDIC limits or require collateralization consistent with state laws governing public deposits.

NOTE 4 – RESPONSIBLE LANDLORD RECEIVABLE

The Responsible Landlord Program (RLL) is a loan program to assist in rehabilitation of rental residential properties. A loan is made for the rehabilitation of blighted, distressed or substandard properties with a view to rental at market rates. The loan is secured by a mortgage against the property. As of December 31, 2016 and 2015, respectively, there was $259,826 and $380,854 in loan principal advances accruing interest at 1.5% per annum. During 2016, COCIC received repayment of $1,000,000, together with accrued interest of $16,746. The outstanding balance of principal and accrued interest at December 31, 2016 was $152,962 and $905,051 at December 31, 2015. Interest accrued during 2016 was $5,237 and $10,657 in 2015.

NOTE 5 – PROPERTY INVENTORY

Property inventoried as of December 31, 2016 and 2015 was $1,274,031 and $1,057,481, respectively.

During 2016, COCIC added 1829 E Long Street to property inventory in the amount of $240,000 which is scheduled to be sold in the second quarter of 2017. In 2015, COCIC sold a property for a net amount of $91,100 with a book value of $6,400 and accumulating expenses of $45,115. Another property was added to the inventory during 2015 in the amount of $23,450. This property had additional demolition costs of $10,600 during 2016 and was sold for $34,050.

In 2014, COCIC inventoried $959,031 from acquisition and demolition costs of the Georgesville Road Property. COCIC has a 3 year purchase option agreement with a buyer for a price equal to the aggregate demolition and maintenance costs at the Property but not more than $1,200,000. The property was sold in March 2017 for $964,752.

NOTE 6 – INVESTMENTS

The fair value of investments as of December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Investment in Joint Venture	$ 154,385	$ 158,534

In March 2011, COCIC entered into an agreement with Depot Golf Center, LLC to place $356,000 on deposit for Depot Golf Center's construction of the clubhouse. In return, COCIC obtained an 11% equity interest in Depot Golf Center. COCIC would classify this as a long-term asset given its nature and intent. Total realized and unrealized activity for the year ended December 31, 2016 and 2015 were losses of $4,149 and gains of $26,610, respectively.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2016 and 2015 was as follows:

	01/01/16	Additions	Deductions	12/31/16
Non-Depreciable Assets:				
Land (Landfill)	$ 1,031,249	-	-	$ 1,031,249
Project Costs - Landfill	606,785	-	-	606,785
Project Costs - Golf Course	1,743,357	-	-	1,743,357
Office - Land	-	39,200	-	39,200
Depreciable Assets:				
Office - Building & Fixtures	-	1,059,326	-	1,059,326
Total Capital Assets	3,381,391	1,098,526		4,479,917
Accumualted Depreciation	-	-	-	-
Net Capital Assets	$ 3,381,391	1,098,526	-	$ 4,479,917

	01/01/15	Additions	Deductions	12/31/15
Non-Depreciable Assets:				
Land (Landfill)	$ 1,031,249	-	-	$ 1,031,249
Project Costs - Landfill	606,785	-	-	606,785
Project Costs - Golf Course	1,743,357	-	-	1,743,357
Total Capital Assets	$ 3,381,391	-	-	$ 3,381,391

Capital assets held by COCIC as of December 31, 2015, were all related to non-depreciable costs of land and development costs related to the landfill and golf course.

In 2016, COCIC purchased the property and building at 845 Parsons Avenue for renovation into The Land Bank Center, which was to house and co-locate the operations of COCIC and the City of Columbus Land Redevelopment Office. At December 31, 2016, purchase of the property and building was $320,000; renovation of the building was $704,756; and provision of furniture, fixtures and equipment was $73,770. Depreciation of the building and fixtures will commence in 2017.

NOTE 8 – NOTES PAYABLE

2016	Amount Outstanding 12/31/15	Additions	Deletions	Amount Outstanding 12/31/16	Amounts Due in One Year
Franklin County	$ 2,321,429	-	(121,429)	$ 2,200,000	$ 92,857
Development Term Loan	78,571	-	(78,571)	-	-
Total Notes Payable	$ 2,400,000	-	(200,000)	$ 2,200,000	$ 92,857

2015	Amount Outstanding 12/31/14	Additions	Deletions	Amount Outstanding 12/31/15	Amounts Due in One Year
Franklin County	$ 2,425,892	-	(104,463)	$ 2,321,429	$ 92,857
Development Term Loan	186,607	-	(108,036)	78,571	7,143
VRG II Loan	59,438	-	(59,438)	-	-
Total Notes Payable	$ 2,671,937	-	(271,937)	$ 2,400,000	$ 100,000

In December 2009, COCIC received additional working capital from the sale of a $2,600,000, 30 year, 0%, Ohio Air Quality Development Authority Bond which was purchased by the Community Improvement Corporation of Gahanna and immediately assigned to Franklin County. $150,000 of the proceeds was deposited in an account at Heartland Bank to secure the repayment of the Bond. COCIC is responsible for the debt service on this Bond. The balance at December 31, 2016 was $2,200,000.

In the same transaction, COCIC received a loan from Franklin County of $200,000 for working capital, also for 30 years at 0% interest. In April 2011, COCIC signed amendments for both the bond and loan to extend the first payment date to March 2012, thus increasing the maturity date one year to 2040. The balance at December 31, 2015 was $78,571 and was paid off in March of 2016.

The following is the scheduled maturities of the debt agreement as of December 31, 2016:

2017	$ 92,857
2018	92,857
2019	92,857
2020	92,857
2021	92,857
2022 and after	1,735,715
Total	$ 2,200,000

NOTE 9 – TRANSACTIONS WITH OTHER ENTITIES

On June 28, 2007, COCIC entered into a 20 year ground lease with Tartan Fields Golf Club LLC for the purposes of managing the construction of a golf facility and operating the golf facility for a twenty year period. The ground lease was revised in September 2009 with purchase option and terms being changed. A second revision was made in March 2011 with the ground lease terms and base rent terms being adjusted. The ground lease agreement with Tartan Fields Golf Club was mutually terminated effective April 1, 2014. A new ground lease effective dated the same day was entered into with The Depot Golf Center, LLC containing new lease terms and base rent amounts expiring December 31, 2017 with an automatic annual renewal extension through December 31, 2030.

On December 27, 2007, COCIC sold 126.8218 acres to Value Recovery Group II for $403,053 in cash, an assumption by VRG II of outstanding COCIC debts of $7,787,846 and an agreement to pay COCIC a 5% participation fee of the net proceeds from VRG's subsequent sale of that acreage. Effective January 2015 the terms of payment changed, COCIC will receive a participation fee of 9.5% of the net proceeds from VRG's subsequent sales after gross property sales exceed $5.5 million. There were no sales in 2016 and 2015 as the participation fee from a property sale under this agreement.

NOTE 10 – LANDFILL CLOSURE COSTS AND CHANGE IN ESTIMATE

State and federal laws and regulations require COCIC to place a final cover on its Bedford Landfill and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Bedford Landfill was officially closed June 13, 2008. As of December 31, 2016 and 2015, the book value of the landfill, excluding the related closure and post closure liability is $1,031,249.

The $2,033,336 and $2,122,187 reported as landfill closure and post-closure care liability at December 31, 2016 and 2015, respectively, represents the remaining estimated cost of closure and post-closure care. The remaining balance of the liability will be obtained through revenues to be paid to COCIC from the lease of the golf facility, a participation in VRG property sales and a closing and annual assessment on all property sold by VRG. New agreements were issued in 2014 and 2015 postponing the lease income from the golf facility until 2017, changing the 5% participation fee on property sales to a 9.5% participation fee after gross sales of $5.5 million and a closing assessment plus an annual assessment on those properties sold. Total expenditures in 2016 and 2015 for this liability were $88,850 and $51,879, respectively.

COCIC is required by state and federal laws and regulations to maintain a trust to finance closure and post-closure care. Although COCIC did not establish a trust, they performed alternative actions approved by the Ohio EPA Director to satisfy the requirements. The city of Gahanna is required to pay up to $50,000 per year to COCIC to cover any shortfall.

NOTE 11 – TAX LIEN CERTIFICATE PURCHASE

On October 4, 2016, COCIC purchased tax lien certificates on 274 deeply blighted properties, all with the view that COCIC would prosecute tax lien foreclosures through forfeiture or sale and that properties forfeited to COCIC would be demolished using funds from the OHFA NIP grant. The purchase price was $1,706,044, with $274 payable at closing and the $1,705,770 balance payable under a non-recourse note. Such note limits COCIC liability thereunder to any recovery of delinquent taxes and assessments resulting from redemptions or foreclosures of the tax certificates, which are expected to be nominal. COCIC does not recognize possible redemption or foreclosure proceeds as receivables, until received, at which time the same are applied in full satisfaction of COCIC's obligations under the note.

While there is no obligation for COCIC to foreclose the purchased tax lien certificates, COCIC has identified $1,500,000 of funding for the cost of foreclosures. In 2016, Franklin County contributed $500,000 and COCIC $125,000. In 2017, Franklin County and COCIC will again contribute $500,000 and $125,000, respectively. The City of Columbus has adopted legislation authorizing a $250,000 contribution, expected in 2017. Further, foreclosure costs are reimbursable under the OHFA NIP grant, making the reimbursements available to fund continuing foreclosure and demolition activity.

NOTE 12 – RISK MANAGEMENT

Commercial Insurance
COCIC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Environmental Insurance
- Directors and Officers Insurance

NOTE 13 – EMPLOYEE BENEFIT 401(k) PLAN

In December of 2015, COCIC offered a defined contribution 401(k) plan to its employees. Eligible employees must be at least 21 years of age, have 12 consecutive months of service and have worked at least 1,000 hours. Under the plan, COCIC may make an employer discretionary contribution, which is vested 100% at the time of contribution. The plan also allows eligible employees to contribute from 1% up to 90% of their salary and wages. The employer and employee contributions are not to exceed Internal Revenue Service limits.

COCIC's contribution expense at the end of December 31, 2016 and 2015 was $22,330 and $18,520, respectively.

NOTE 14 – LEASE AGREEMENTS

Franklin County Government Center, 373 South High Street:
COCIC, as lessee, leased office space at the Franklin County Government Center on a month-to-month basis. Office rental expense for such space was $18,990 and $26,099, for the year ended December 31, 2016 and 2015, respectively. Such month-to-month lease was concluded in February 2017.

NOTE 15 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the COCIC are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To Board of Trustees
Central Ohio Community Improvement Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Ohio Community Improvement Corporation, Franklin County Ohio (COCIC), which comprise the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise COCIC's basic financial statements, and have issued our report thereon dated June 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered COCIC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of COCIC's internal control. Accordingly, we do not express an opinion on the effectiveness of COCIC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether COCIC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parms & Company, LLC

Columbus, Ohio
June 2, 2017